



Employers Who Had Fifty or More Employees Using MassHealth, Commonwealth Care, or the Uncompensated Care Pool in State FY07

Executive Summary

A report by the
Executive Office of Health and Human Services
Division of Health Care Finance and Policy

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Executive Summary

The Commonwealth's landmark health care reform legislation of 2006 recognizes the key role that employers play in achieving its goal of near universal coverage. A number of provisions in the law act as incentives for employers to maintain coverage. Moreover, the law's requirement that all adults in the state have insurance, if affordable coverage is available to them, may spur some employers – in the interest of attracting or retaining a qualified workforce – to offer, continue, or upgrade coverage.

The Massachusetts Division of Health Care Finance and Policy (the Division) annually produces a report identifying employers with 50 or more employees receiving health services through publicly subsidized programs. The Division released its first report on this topic in 2005 in response to Section 304 of Chapter 149 of the Acts of 2004. This edition provides information on state fiscal year 2007 (FY07), which began July 1, 2006 and ended June 30, 2007, and reflects the early months of implementation of health reform. For the first time, the report includes the cost of Commonwealth Care coverage provided to employees and their non-working spouses, as this new program was implemented during state FY07. The report also provides information on MassHealth (Medicaid) and Uncompensated Care Pool (the Pool) expenditures for employees, non-working spouses, and dependents.

For this edition of the report, the Division significantly enhanced its methodology for identification and verification of employer-employee relationships. In order to provide a comparison to prior year results, the Division analyzed data from state FY06 (July 1, 2005 through June 30, 2006) utilizing the new methodology. Hence, this report identifies companies found to have 50 or more employees receiving health care services through publicly subsidized programs during state FY06 and state FY07 and provides the total number of employees, dependents, and the cost of services provided, by program, for each employer identified. The analysis was developed using a two-pronged approach:

- 1) In collaboration with the Department of Revenue (DOR), the Office of Medicaid, and the Commonwealth Health Insurance Connector Authority, the Division identified employees through matches with DOR's quarterly wage reporting files to create employer-level summaries of the number of employees and the value of services provided to them and to their dependents.
- 2) For individuals who could not be matched with DOR records due to the lack of a valid social security number (SSN), the Division examined the self-reported employment status. Self-reported employment information was obtained from MassHealth and Commonwealth Care member eligibility records and from information on hospital claims submitted to the Pool. Previous reports issued by the Division were based solely on this methodology.

Key Findings

In state FY07:

- An estimated \$636.8 million in public funds were spent on health care services through MassHealth, the Pool, or Commonwealth Care for employees and their dependents working for employers who had 50 or more employees receiving publicly subsidized health care.
- Nearly 254,000 employees received publicly subsidized care at a cost of \$371.7 million: \$250.2 million through MassHealth, \$98.4 million through the Pool, and \$23.1 million through Commonwealth Care.
- In addition, over 220,000 dependents and non-working spouses of these employees received publicly subsidized care at a total cost of \$265.1 million: \$249.4 million through MassHealth; \$14.0 million through the Pool; and \$1.6 million through Commonwealth Care.

Between state FY06 and state FY07:

- State FY07 spending of \$636.8 million increased by 13.9% over the state FY06 estimate of \$559.2 million.
- The increase in the total cost of services was driven mostly by costs for dependents, which increased by 18.4%, while costs for employees increased by 10.8%. The largest increase in spending was associated with MassHealth dependents reflecting the explicit state- and federal-level policy decision to expand MassHealth coverage to children from families with incomes up to 300% of the federal poverty level (FPL). This expansion of the State Children's Health Insurance Program (SCHIP) was implemented at the start of state FY07 and led to a 16% increase in the MassHealth SCHIP caseload.
- MassHealth costs identified through this analysis increased by 13.0% between state FY06 and state FY07, while Pool costs declined by 4.1%; this decrease in Pool costs was expected with the introduction of Commonwealth Care.
- The total number of employees increased by 5.9% and the total number of dependents increased by 4.5%.
- The number of employers with 50 or more employees in state FY06, compared to state FY07, increased by 84 firms, or 6.0%, from 1,390 in state FY06 to 1,474 in state FY07.

Discussion

- **It is not surprising that the number of employed people being covered through publicly subsidized health programs has increased during this time period.** A key purpose of health care reform was to expand coverage to the uninsured working poor who often do not have access to health insurance through their employer and cannot afford to purchase it on their own. This is borne out by survey data. In 2007, the Division found that while most (68%) uninsured are employed, most (66%) of the working uninsured are employed

at firms that don't offer health insurance. Even for the working uninsured whose employers offer coverage, 46% are not eligible for such insurance. Approximately one-third (34%) of the working uninsured work part-time, which may account for their not being eligible for employer-offered insurance.

- **Employers in Massachusetts continue to maintain their strong role in providing access to health insurance for their employees.** The Division's 2007 employer survey found that 72% of Massachusetts employers offer health insurance to their employees, whereas only 60% of employers nationwide offer coverage. This rate is even higher for Massachusetts employers with more than 50 employees, 99% of which offer coverage.
- **However, not all employees at firms offering health insurance are eligible for coverage.** Fifty-nine percent (59%) of Massachusetts employers require a waiting period of at least one month before new employees may access health insurance benefits, and 37% of these employers require a three-month waiting period. In addition, in 2007, only 25% of Massachusetts employers were found to offer health insurance to their part-time employees, and among those firms, nearly three-quarters (73%) required that employees work at least half time.
- **Employees identified in this analysis should not have had an offer of ESI, or were ineligible for their employer-offered insurance due to either their part-time work status, their status as contract employees ineligible for benefits, or because they were new hires facing a waiting period for health insurance benefits.** The state has processes in place to ensure that where employer-sponsored insurance (ESI) is available, it is leveraged. Both the MassHealth and Commonwealth Care eligibility determination processes include evaluation of an applicant's access to ESI. The analysis presented here excludes MassHealth members for whom MassHealth assists with the purchase of ESI, i.e., members with Premium Assistance, because in such cases MassHealth benefits are secondary to coverage obtained through their employer. Commonwealth Care excludes from eligibility those employees whose employers offer a contribution of 33% or greater towards the cost of an individual plan. Therefore, the MassHealth and Commonwealth Care employees and dependents identified through this analysis should not have had access to ESI at an employer whose contribution level exceeded 33% of the premium cost. The availability of ESI was not a factor in determining Pool eligibility during the time period covered by this report. Therefore, the employees and dependents identified as receiving care through the Pool may have had access to ESI.

Together these factors indicate that the uninsured are less likely to have access to ESI despite a high rate of employment. Therefore, for the low-income uninsured that meet MassHealth or Commonwealth Care eligibility rules, these programs may be the only way for them to afford health insurance coverage. For individuals ineligible for these programs, the Pool served as a safety net to cover some of their care needs.

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